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HAMMOND RURAL FIRE DEPARTMENT

Hammond, Louisiana

ANNUAL FINANCIAL REPORT

As of and for the Year Ended

December 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/22/09

HAMMOND RURAL FIRE DEPARTMENT

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As of and for the Year Ended
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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Hammond Rural Fire Department
Hammond, Louisiana

I have audited the accompanying statement of financial position of Hammond Rural Fire Department (a nonprofit corporation) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Hammond Rural Fire Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hammond Rural Fire Department, as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report, dated June 26, 2009, on my consideration of Hammond Rural Fire Department's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Certified Public Accountant

June 26, 2009

BASIC FINANCIAL STATEMENTS

HAMMOND RURAL FIRE DEPARTMENT

Statement of Financial Position

December 31, 2008

ASSETS

Cash		\$ 579,014
Investments		251,645
Receivables:		
Appropriations	\$166,838	
Federal grant	<u>7,460</u>	
		<u>174,298</u>
Total Assets		<u>\$1,004,957</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable		\$ 13,724
Payroll taxes payable		6,733
Other payables		<u>50,000</u>
Total Liabilities		70,457
<u>Net Assets</u>		
Temporarily Restricted		<u>934,500</u>
Total Liabilities and Net Assets		<u>\$1,004,957</u>

The accompanying notes are an integral part of this statement.

HAMMOND RURAL FIRE DEPARTMENT

Statement of Activities
For the Year Ended December 31, 2008

Temporarily Restricted Net Assets

Support and Revenues

Appropriations from:	
Tangipahoa Parish Rural Fire Protection District No. 2	\$703,272
Federal grant	7,460
On behalf supplemental pay	3,600
Miscellaneous revenue	1,543
Interest income	<u>17,398</u>
 Total Temporarily Restricted Support and Revenues	 <u>733,273</u>

Expenses (net assets released from restrictions)

Program Services - Fire Protection

Salaries	147,317
On behalf supplemental pay	3,600
Payroll taxes	11,972
Building maintenance and supplies	6,537
Capital outlay	29,791
City of Hammond contract	200,000
Employee benefits	6,806
Equipment maintenance and supplies	53,864
Insurance	32,694
Professional fees	7,276
Telephone	2,148
Utilities	10,492
Other	<u>4,778</u>
 Total program services	 <u>517,275</u>

Support Services

Salaries	5,985
Payroll taxes	<u>458</u>
Total support services	<u>6,443</u>

Total Net Assets Released from Restrictions	<u>523,718</u>
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Increase in temporarily restricted net assets	209,555
Net Assets, beginning of year	<u>724,945</u>
Net Assets, end of year	<u>\$934,500</u>

The accompanying notes are an integral part of this statement.

HAMMOND RURAL FIRE DEPARTMENT

Statement of Cash Flows
For the Year Ended December 31, 2008

Cash flows from operating activities:	
Change in net assets	\$ 209,555
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in receivables	\$22,499
Increase in accounts payable	947
Increase in payroll taxes payable	2,208
Increase in other payables	<u>50,000</u>
Total adjustments	<u>75,654</u>
Net cash provided by operating activities	<u>285,209</u>
Cash flows from investing activities:	
Purchase of certificate of deposit	<u>(251,645)</u>
Net cash used by investing activities	<u>(251,645)</u>
Increase in cash	33,564
Cash at beginning of year	<u>545,450</u>
Cash at end of year	<u>\$ 579,014</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

HAMMOND RURAL FIRE DEPARTMENT

Notes to Financial Statements As of and for the Year Ended December 31, 2008

INTRODUCTION

The Hammond Rural Fire Department (Hammond Fire) is a Louisiana nonprofit corporation incorporated on June 8, 1992, as an association of volunteer firefighters serving the Hammond, Louisiana, geographical area. The initial name of the corporation was the Hammond Volunteer Fire Department; on January 10, 2003, the corporate name was changed to Hammond Rural Fire Department. The Hammond Rural Fire Department received notice of its exemption from federal income tax under Section 501(c)(4) of the Internal Revenue Code on May 11, 2004. The Hammond Rural Fire Department is primarily funded by an annual appropriation from the Tangipahoa Parish Rural Fire Protection District No. 2 (Rural Fire District No. 2).

Hammond Fire consists of 3 active volunteer firefighters and 11 paid firefighters (3 full-time, 8 part-time). Hammond Fire maintains an office at the City of Hammond Fire Department Administration Building at 405 S. Oak Street, Hammond, Louisiana and maintains a fire station at 44532 S. Baptist Road in Hammond, Louisiana.

Rural Fire District No. 2 contracts with the Hammond Fire and nine other fire departments (fire departments) to fulfill its mission of providing fire protection for the entire parish of Tangipahoa, excluding the incorporated municipalities and entire Third Ward in said parish.

Rural Fire District No. 2 receives ad valorem taxes, state revenue sharing, and two percent fire insurance rebated monies and appropriates these monies, along with interest earnings, to the ten individual fire departments in accordance with an annual agreement. The primary responsibilities of each fire department is the prevention and termination of fires which pose a threat to life or property and providing emergency services within its area of responsibility. The secondary responsibility is to respond to any and all calls for assistance from any of the other fire departments in Rural Fire District No. 2.

The annual agreement provides, in part, that the appropriation of revenue from Rural Fire District No. 2 be based upon the square miles served by the individual fire departments, the population within the area served, and the number of fire calls received in a given period. The agreement also requires that the individual fire departments expend the appropriations solely for the purposes of maintaining and operating Fire District No. 2's fire protection facilities, for purchasing fire trucks and other fire fighting equipment, paying the cost of obtaining water for fire protection purposes, providing emergency services to the residents of Rural Fire District No. 2, and for approved salaries. The agreement additionally requires the individual fire departments to render to Rural Fire District No. 2 quarterly statements of funds received and expended.

Hammond Rural Fire Department
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Hammond Fire is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

B. BASIS OF ACCOUNTING

The financial statements of Hammond Fire have been prepared on the accrual basis of accounting.

C. SUPPORT AND REVENUE

Support consists primarily of appropriations received from Rural Fire District No. 2 from ad valorem taxes, state revenue sharing funds, and fire insurance rebate funds. Hammond Fire receives a percentage of the total funds available to Rural Fire District No. 2 based on the formula contained in a contract agreed to by all participating fire departments in Tangipahoa Parish.

D. CASH

Cash includes amounts in non-interest-bearing checking accounts and interest-bearing savings accounts. Investments with an original maturity of 90 days or less, if any, are considered to be cash equivalents.

E. INVESTMENTS

Investments for Hammond Fire are reported at fair market value and consist of a certificate of deposit with an original maturity of greater than 90 days.

F. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

G. CONTRIBUTIONS

Hammond Fire has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

H. INCOME TAXES

Hammond Fire is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements.

Hammond Rural Fire Department
Notes to Financial Statements

I. CAPITAL ASSETS

Capital assets purchased by Hammond Fire with appropriations received from Rural Fire District No. 2 become the property of Rural Fire District No. 2; therefore, there are no capital assets reported in the accompanying financial statements.

J. FAIR VALUES OF FINANCIAL INSTRUMENTS

Hammond Fire's financial instruments, none of which are held for trading purposes, include cash and a certificate of deposit. The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

2. COMPENSATED ABSENCES

Sick Leave - All full-time Hammond Fire employees shall be entitled to and given, with full pay, sick leave aggregating not less than 52 weeks during a calendar year for any sickness or injury or incapacity not brought about from his own negligence or culpable indiscretion. Any employee of the classified service who draws such full pay during sick leave shall have such pay decreased by the amount of workman's compensation benefits actually received by such employee. Sick leave does not accrue.

Annual Leave - Each full-time Hammond Fire employee (at least 53 hours per week) shall accrue annual vacation according to the schedule below for a two-week period. No vacation time may be taken until an employee has completed one year of service. The vacation privileges herein provided for shall not be forfeited by any member of Hammond Fire for any cause.

Each full-time employee earns 144 hours of annual leave per year. Accrual begins on the first date of full-time employment.

For each year of service over five years, an eight (8) hour increase is granted per year. Up to a maximum vacation period of 30 days per year is allowed.

Unused vacation time for members of the department may be carried over to subsequent years. Employees with the greatest departmental seniority will have priority on the scheduling of vacation time.

No cash payment may be made in lieu of vacation, except upon separation from service.

Compensated absences for vacation have not been accrued since they cannot be reasonably estimated but are expensed as incurred.

3. CONCENTRATIONS

Financial instruments which potentially subject Hammond Fire to concentrations of credit risk consist principally of cash held in checking, savings accounts, and certificates of deposit. At December 31, 2008, and at times throughout the year then ended, cash held in the savings account exceeded the \$250,000 amount insured by the FDIC.

Hammond Rural Fire Department
Notes to Financial Statements

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available solely for the purposes of maintaining and operating Fire District No. 2's fire protection facilities, for purchasing fire trucks and other fire fighting equipment, and paying the cost of obtaining water for fire protection purposes including charges for fire hydrant rentals and service, and providing emergency services to the residents of Fire District No. 2 in accordance with the annual agreement with Rural Fire District No. 2.

5. APPROPRIATIONS FROM RURAL FIRE PROTECTION DISTRICT NO. 2

Rural Fire District No. 2 agreed to distribute 20 percent of its available funds to Hammond Fire in accordance with the 2008 Fire Contract with the fire departments.

However, Attachment No. 1 to the 2008 Fire Contract is an intergovernmental agreement between:

- Rural Fire Protection District No. 2 (Fire District No. 2)
- The City of Hammond, (City), and
- Hammond Rural Fire Department (Fire Department)

In consideration of the City's agreement to provide use of its equipment and manpower to fight fires and handle emergencies within the Fire Department's area of responsibility, Fire District No. 2 agrees to pay the City, from funds designated for the Fire Department under the 2008 Fire Contract, an annual amount of \$200,000 payable in quarterly installments. This agreement is for the calendar years beginning January 1, 2008, and ending December 31, 2009.

During the fiscal year ended December 31, 2008, Fire District No. 2 remitted four quarterly installments, or \$200,000, directly to the City of Hammond.

6. ON BEHALF PAYMENTS BY STATE OF LOUISIANA

For the year ended December 31, 2008, the State of Louisiana made on behalf payments in the form of supplemental pay to one of Hammond Fire's firefighters. In accordance with GASB 24, Hammond Fire has recorded \$3,600 of on behalf payments as revenue and as expense.

7. RETIREMENT PLAN

All full-time employees of Hammond Fire are qualified to participate in its retirement plan. The employee's portion of the amount contributed to the plan is 55.56% and Hammond Fire's portion is 44.44% up to a maximum of \$100 per month. Galic Disbursing Company is the plan's service provider.

The plan was adopted under the provisions of the Internal Revenue Code Section 403(b).

\$1,360 was contributed by Hammond Fire during the year ended December 31, 2008, in addition to the elective deferrals made by employees.

**OTHER INDEPENDENT AUDITOR'S REPORTS
AND FINDINGS**



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the
Hammond Rural Fire Department
Hammond, Louisiana

I have audited the accompanying financial statements of Hammond Rural Fire Department (a nonprofit corporation), as of and for the year ended December 31, 2008, and have issued my report thereon dated June 26, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered Hammond Rural Fire Department's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hammond Rural Fire Department's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Hammond Rural Fire Department's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Hammond Rural Fire Department's internal control. I consider the deficiency described in the accompanying schedule of current audit findings to be a significant deficiency in internal control over financial reporting. (See finding item 08-01).

Hammond Rural Fire Department
Independent Auditor's Report on Internal Control and on
Compliance and Other Matters - Concluded

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hammond Rural Fire Department's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, I consider finding item 08-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hammond Rural Fire Department's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hammond Rural Fire Department's response to the findings identified in my audit are described in the accompanying Management's Corrective Action Plan. I did not audit Hammond Rural Fire Department's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the members, management, and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

June 26, 2009

Hammond Rural Fire Department
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2008

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Resolution</u>
07-1	Purchases of six air tanks exceeded \$20,000 but were not advertised for bid nor was approval granted by Tangipahoa Parish Rural Fire Protection No. 2.	Resolved.

HAMMOND RURAL FIRE DEPARTMENT
Hammond, Louisiana

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

I have audited the financial statements of Hammond Rural Fire Department as of and for the year ended December 31, 2008, and have issued my report thereon dated June 26, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2008, resulted in an unqualified opinion.

Report on Internal Control and Compliance Material to the Financial Statements

Internal control:

Material weaknesses identified? ☒ yes ☐ no

Significant deficiencies identified not
considered to be material weaknesses? ☐ yes ☒ none reported

Compliance

Noncompliance material to financial
statements noted? ☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

This section is used to identify the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements required to be reported under *Government Auditing Standards* (GAGAS).

08-1 Lack of Segregation of Duties

Hammond Rural Fire Department's secretary-treasurer is the sole employee involved in the recording, processing, and summarizing of Hammond Rural Fire Department's financial data. Also, the secretary-treasurer records cash receipts and disbursements but lacks the financial expertise to prepare year-end adjusting entries and draft financial statements.

An adequate system of internal control requires an appropriate segregation of duties consistent with control objectives. This deficiency could adversely affect the entity's ability to record, process, and summarize financial data consistent with management's objectives.

The limited size of Hammond Rural Fire Department precludes an adequate segregation of duties, recording of year-end adjusting entries, preparation of draft financial statements, and other features of an adequate system of internal control. To employ such controls may not be cost beneficial. No change is recommended.

Hammond Rural Fire Department

Management's Corrective Action Plan for
Current Year Audit Findings

For the Year Ended December 31, 2008

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding Reference No.	Management's Corrective Action Plan
08-1 Lack of Segregation of Duties	Management concurs with auditor's recommendation.

Date Submitted: 6-26-09

Auditee: Paul Colura